



# The intersections between Climate and Diversity, Equity and Inclusion

Key considerations for HR professionals and pension schemes

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# Introduction

Addressing climate change is a responsibility we all share. It is a systemic global challenge because of the risks it presents to our planet and life on it as we know it. Generally, we understand that we need to act more sustainably as individuals – and we expect our institutions, organisations and governments to do the same. We understand that if we do nothing, there are consequences like sea level rises, temperature changes, extreme weather events, loss of biodiversity and disruptions to systems which protect our homes, provide our food and give us access to safe drinking water.

Historically, organisations have incorrectly viewed those risks as a long term challenge – the need to ‘do the right thing’ has had to be managed against more immediate potential disruption to investor or business interests. However, as better data emerges on the potential widespread financial impacts, risks and opportunities of climate change, and governments reach consensus on the need to act now, the interests of the economy, people and the planet have converged in a decade of urgent climate action.

Most organisations are now actively planning for a low-carbon economy. Investor expectations on what action is being taken are changing. Talent expectations on an organisations climate strategy and its connection to broader organisational purpose and culture is changing. Climate-related disclosures are tightening. And the physical, transition and liability risks of not acting increase by the day.

For Human Resource professionals and pension scheme managers, there are an array of emerging priorities across both the employee lifecycle and pension scheme member experience. We believe organisations and scheme trustee boards will be more successful in their climate strategies if they shape them using a diverse range of perspectives and build them with an inclusive mindset. This document explores some of those priorities and provides the key actions HR professionals and pension scheme managers need to take.



# Why is Climate important for HR and Trustee Boards?

## For HR professionals:



### Regulatory and investor pressure

Regulatory bodies and investors are formally recognising culture, incentives and competencies as features of good climate governance and a credible climate transition plan.



### Talent expectations

Employees and potential hires are making career decisions based on ESG and climate considerations. The extent to which a clear climate strategy is embedded within the employee experience, with opportunities to shape that strategy, will determine access to talent pools.



### Frequency and severity of climate-related loss and disruption

Climate hazards pose risks to workforce health, wellbeing and productivity. HR need insight into these impacts to effectively design and engage on policies, benefits and broader Total Rewards.



### Transition to net-zero requires organisational transformation

In order for a business to implement a climate strategy effectively, it required leadership buy in, culture alignment, and employee engagement. This is a change management and employee engagement challenge. New skills, knowledge and jobs will be required in many organisations to make the transition. This is a workforce and succession planning challenge.

## For Trustee Boards of pension schemes:



### Regulatory expectations

Organisations must be ready to navigate complex regulations and reporting standards by ensuring adequate disclosure on how they plan and prepare for physical and transitional risks, e.g. TCFD.



### Member and stakeholder expectations

There are growing demands from stakeholders, including pension scheme members, for greater visibility around how organisations are managing their sustainability roadmaps making progress through internal controls and processes, investment principles and any changes to the portfolio or investment programme.



### Growing climate-related litigations

Climate-related litigations are growing rapidly. Organisations that fail to adequately disclose how they plan and prepare for physical and transitional risks could be legally exposed to material, reputational and brand impacts.



# Drivers for talent in the current talent marketplace

## The employer view



**3X** difficulty in  
**Attraction**

**4X** difficulty in  
**Retention**

*Comparison vs 2020*

- 1 Increasing demand for labour**  
After many organisations restricted hiring during the pandemic many are looking to fill existing roles and make up time.
- 2 Limited supply of labour**  
Some individuals have left the labour market (ill-health, retirement, fears about the pandemic childcare/eldercare, currently on disability) and may not return.
- 3 Higher wage expectations**  
Employees are holding out for higher wages

Source: 2021 – 2022 WTW Reimagining Work and Rewards Survey, United Kingdom

## The employee view

1. WTW 2022 Global Benefits Attitudes Survey, United Kingdom
2. Generational Workforce demographic trends, Martin & Ottemann

**50%**

of employees think DE&I and climate are important to them

These employees are more likely to leave when their employer initiatives are poor<sup>1</sup>

**Changing expectations**

Greater focus on younger generations on:

**Socially conscious  
Pro-diversity<sup>2</sup>**

**Changing attitudes to work**

The key priorities for attracting and retaining the next generation of talent all connect to climate and DE&I:

**Wellbeing**

**Equity**

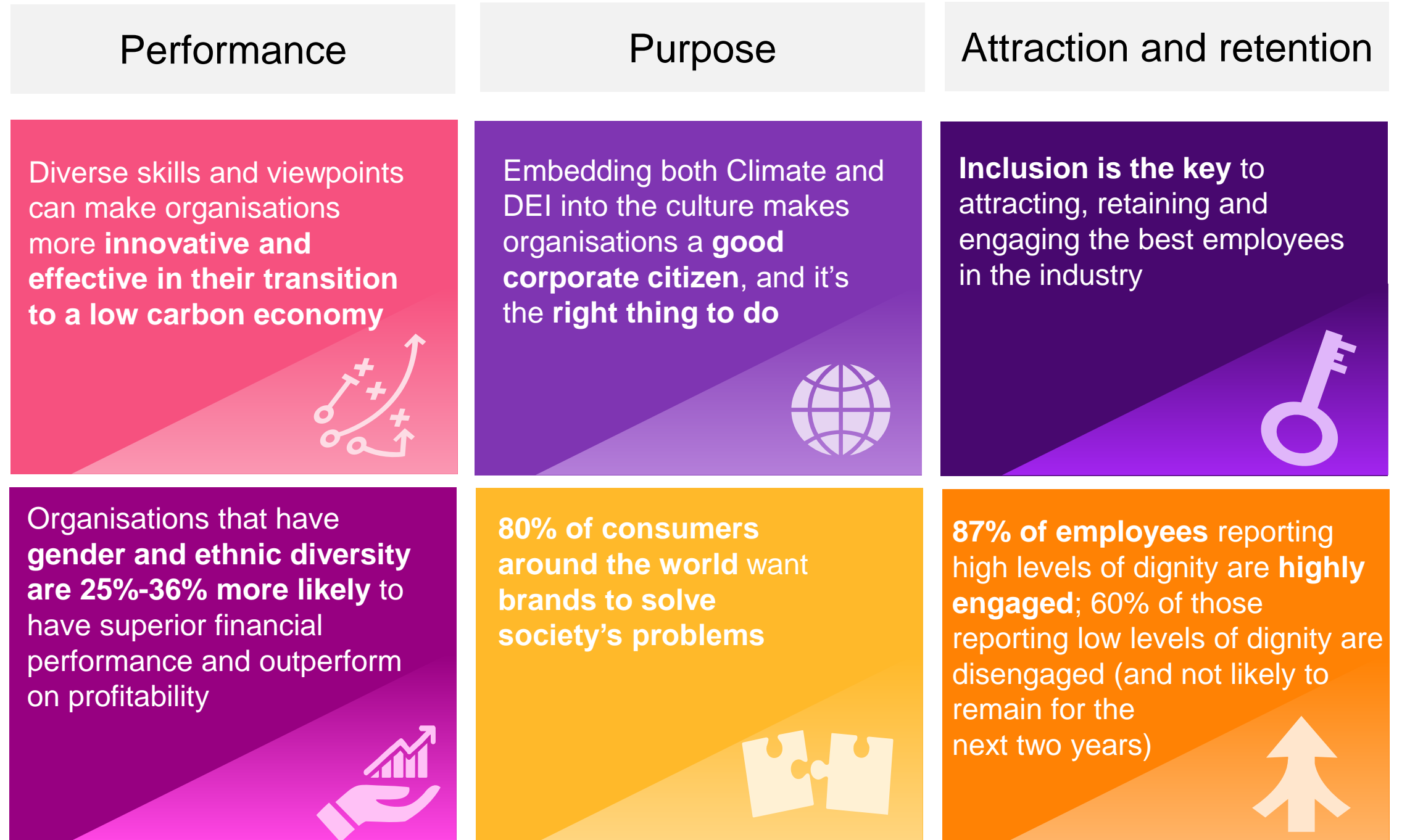
**Meaningful work**

**Clear vision, mission and strategy**

# The intersections between Climate strategy and DE&I for HR

Climate change is a crisis that will be most effectively addressed by understanding a variety of viewpoints and perspectives.

Organisations will also be best positioned to tackle the risks and opportunities by attracting and retaining the best talent available.



# How we can help

WTW's Employee Experience business help leaders, HR professionals, Trustees and pension scheme managers navigate a wide array of emerging priorities. Here we've shown just some of the ways we support Trustee Boards and HR professionals with their climate objectives.

## How we help Trustee Boards of pension schemes



### Member Insights and Engagement

We help Trustee Boards to:

- Understand the climate risks and opportunities posed to members and their pension investments.
- Build a pipeline of diverse board representatives.
- Develop a core sustainability philosophy.
- Listen to the voices of pension scheme members and gather insights, as well as check level of understanding to inform ESG and communication strategies.
- Offer digestible and accessible content that accurately and authentically communicates your climate-related efforts, progress and governance – and delivers on TCFD reporting requirements.

## How we help HR professionals



### Talent Insights and Engagement

We help organisations to:

- Listen to their talent about their climate concerns, priorities and generate ideas of how best to solve risks. We involve employees in the Climate story.
- Define an employee value proposition which expresses both climate and DEI priorities.
- Communicate their climate strategy at all touchpoints in the employee experience – both current and potential hires.
- Communicate HR-driven proof points of a climate strategy, such as climate-driven changes to executive compensation, total rewards and incentives, work practices and policies, and employee wellbeing programmes.



### Transition Change Management and Governance

We help organisations to:

- Engage and train executives, HR and business leaders on the climate risks affecting their business – and plan adaptive actions.
- Manage organisational change in response to those actions. Many changes within an organisation's climate strategy require people to work in new ways, champion broad climate change objectives, and implement specific actions at a local level. We help understand the effort required, identify and engage key stakeholders across the business, and create a change plan.
- Organisational design to support changes brought about by the transition to a low carbon economy: defining roles, competencies and skills as the needs of the organisation change.

# Talent Insights and Engagement

Engaging with your employees to drive innovation in response to climate risk



**Diversity, Equity and Inclusion are key to bolstering innovation, revenue growth and talent retention as organisations adapt to climate change and transition to Net Zero.**

Employee listening can reassure employees that they can use their voices to share priorities and impact organisational change.

Effective communication of climate-related action, when delivered using an inclusive engagement strategy, helps to drive business priorities at a local level.



## Employee listening and insights on climate and DEI

- We use market leading tools and benchmarking data on employee opinions to understand how employees feel their organisation delivers on its climate strategy and the extent to which they feel empowered to act.
- We collect diverse perspectives around organisational risks and priorities by conducting innovation surveys. These encourage employees to contribute new ideas in transitioning to net zero. We also facilitate dynamic virtual focus groups to have real-time conversations with employees about climate at scale.

## Supporting organisations to express climate and social priorities through their employee value proposition

- We help employers to build climate and social priorities into the very fabric of their purpose, and support the implementation of that purpose through strategic interventions and communications.
- We offer an off-the-shelf grassroots sustainability network that enables your employees to act on climate-related matters and strengthens their purpose at work.

## Strategy and communication of climate- and DEI-driven changes

- Organisations can influence company priorities by tying climate and social priorities to executive pay and employee incentives. We support recipients to understand the link and understand what they need to do in order to maximise their reward.
- We support the wellbeing of a diverse range of employee needs through educational and engagement materials.



# Transition Change Management and Governance

Supporting your organisation through the transition to a low carbon economy



**Organisations need to adapt in order to align with climate regulations, manage climate risks and mitigate the consequences of adverse impacts of climate change.**

Employees need to be adequately supported, involved and incentivised during this period of transition. The employee experience must allow for new career paths and opportunities to support a diverse population in the context of disruption, while upskilling employees to deliver on the shift in organisational goals.

## Engagement and training

- We support board members, senior leadership and HR to build a shared awareness, alignment and agency on climate risk by facilitating training and engagement sessions.
- We help key stakeholders to better understand the issues, help plan a response and consider how the changes may impact employees.

## Change management support

- Organisations need to increasingly adapt ways of working to manage climate risk, which can have an impact on the diverse employee population.
- We provide key change management support by assessing the level of change required, identifying key stakeholders and creating a change plan to de-risk the change and optimise the employee experience.

## Organisational design

- Climate risks have an impact on certain roles, which will need updating as the key skills required will change due to climate risks.
- We provide skills and competencies support, and job architecture frameworks that take climate-related competencies into account when building role profiles.



# Member Insights and Engagement

## Engaging with your pension scheme members on sustainability



**Sustainability matters to investors, and your pension scheme members are no different.**

We help Trustee Boards to select directors from a diverse talent pool, understand emerging client priorities and regulation, define their approach to climate and sustainable investing, and deliver engaging communications that show how they are delivering on their commitment to a low carbon economy.

### Define your unique sustainability story

- As an organisation's climate strategy evolves, it's essential to put in place an engagement strategy for your pension scheme.
- We work with key internal and external stakeholders to co-create a story that is unique and appropriate to a pension scheme's journey.
- We deliver inclusive trustee director election exercises that encourage a more diverse range of candidates.
- We educate Trustee Boards on climate priorities and regulation to enable better engagement with the organisational climate context.

### Pursue meaningful dialogues and uncover 'what matters most'

- Members invest their savings in a choice of funds determined by the Trustee. How do your members feel about sustainable investing?
- Our ESG investment survey asks members what they understand by sustainable investment and how strongly they feel about the way they invest. These insights help inform and validate future changes to an investment strategy.

### Make your TCFD content work harder for you

- We create digestible and accessible content that accurately and authentically communicates your climate-related efforts, progress and governance as a pension scheme.